

2006



ANNUAL REPORT



COUNCIL BLUFFS WATER WORKS

Safe Drinking Water Is Our Business

MISSION STATEMENT:

THE COUNCIL BLUFFS WATER WORKS IS COMMITTED TO PROVIDING THE BEST POSSIBLE SERVICE WHILE SUPPLYING ADEQUATE QUANTITIES OF HIGH QUALITY TAP WATER TO MEET ALL THE DOMESTIC, INDUSTRIAL AND FIRE PROTECTION NEEDS OF OUR CUSTOMERS AND COMMUNITY.

CHAIRMAN'S REPORT

In 2006, the Board of Trustees initiated a capital investment program that will result in the completion of several major projects. The projects identified will strengthen and improve the overall reliability of the water system and improve customer service.

The new Valley View Pump Station and transmission water main near Valley View Reservoir went into service in November. This project increased our high zone re-pump capacity by 3,000,000 gallons per day and will support the rapidly growing eastern areas of our water system.

The Board purchased four acres of vacant property adjacent to Hillcrest and Harmony Street for a new ground storage reservoir. This site is uniquely suited for the location of a new reservoir. All of the essential requirements for the site were satisfied, including proper elevation, proximity to a feeder main, proximity to a pump station and unobtrusive location. Construction of the new 3,000,000 gallon Hillcrest Reservoir, our largest, is planned for next year.

Information System Technology has become the cornerstone of effective customer service and operations management. Following an extensive and thorough evaluation, Management Staff recommended and the Board approved the selection of Cogsdale Corporation as our information system solution partner. Cogsdale will provide new Financial, Utility Billing and Maintenance Management Software Modules. In conjunction with that selection the Board approved the purchase of new servers and desktop computers. Implementation of the new software, training of our customer service representatives and conversion will occur over the next year. The new system will greatly enhance customer service and increase the overall efficiency of our data management.

In 2006 the Board continued its emphasis on customer service and authorized its very first survey. Two thousand (2,000) surveys were sent to our customers throughout our service area. Our goal is to improve our connection to and understanding of how we are perceived by our customers and community. I am pleased to report that the overwhelming majority of the survey respondents gave us high marks in all categories of service.

As a leader of the water utility industry the Council Bluffs Water Works hosted the 61st Annual Conference of the Iowa Section of the American Water Works Water Association at the Mid-America Center. Attendees, speakers, presenters and vendors came from all over the state and nation to participate in an exchange of ideas and learn about cutting edge technologies. A key event of the conference was a tour of the Narrows Water Purification Plant for which we are so very proud. The quality of our operation was apparent to all.

Please see the results of our customer service survey in the following report that details the accomplishments of the dedicated employees of the Council Bluffs Water Works.

Maureen R. Kruse
Chairman

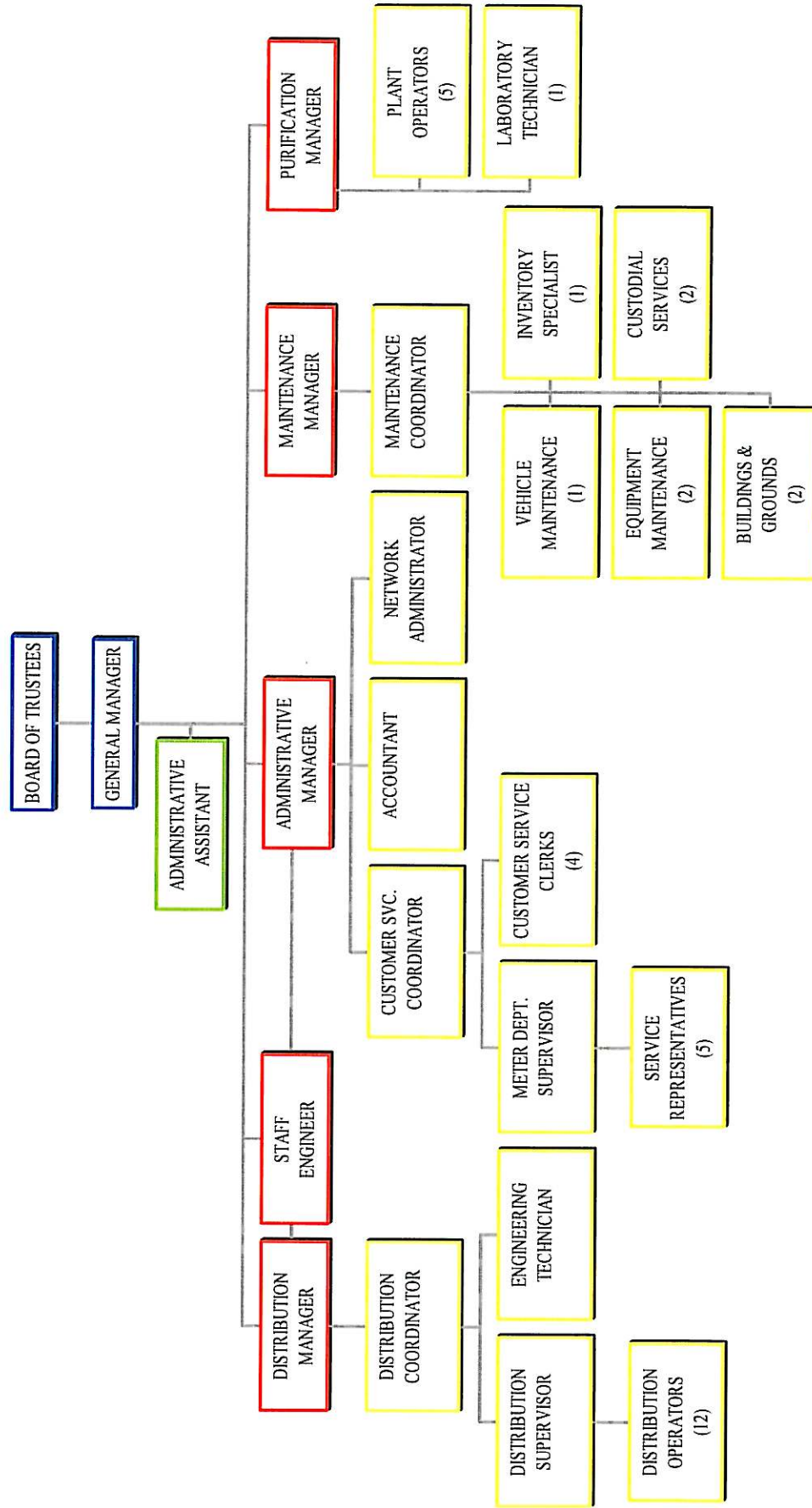
Trustees:
Carl L. Heinrich
Glen M. Mitchell
Martin L. Brooks
Mark A. Genereux

**2006
RATE SCHEDULE**

Monthly Retail Volume Charges		
	Monthly Billing	
	Inside City (\$/Ccf)	Outside City (\$/Ccf)
First 1,500 Cubic Feet	\$2.18	\$3.27
Next 28,500 Cubic Feet	\$1.58	\$2.37
Next 970,000 Cubic Feet	\$0.94	\$1.41
Next 1,000,000 Cubic Feet	\$0.88	\$1.32
Over 2,000,000 Cubic Feet	\$0.50	\$0.75

Bi-Monthly Retail Volume Charges		
	Bi-Monthly Billing	
	Inside City (\$/Ccf)	Outside City (\$/Ccf)
First 3,000 Cubic Feet	\$2.18	\$3.27
Next 57,000 Cubic Feet	\$1.58	\$2.37
Next 1,940,000 Cubic Feet	\$0.94	\$1.41
Next 2,000,000 Cubic Feet	\$0.88	\$1.32
Over 4,000,000 Cubic Feet	\$0.50	\$0.75

COUNCIL BLUFFS WATER WORKS ORGANIZATIONAL CHART



ORGANIZATION
AND
PERSONNEL

BOARD OF WATER WORKS TRUSTEES

Chairman	Maureen R. Kruse	term expires June 30, 2010
Trustee	Carl L. Heinrich	term expires June 30, 2009
Trustee	Glen M. Mitchell	term expires June 30, 2012
Trustee	Martin L. Brooks	term expires June 30, 2007
Trustee	Mark A. Genereux	term expires June 30, 2011

STAFF

General Manager:	Douglas P. Drummey	Iowa Grade IV Operator
Administrative Assistant:	Celestine Powell	

PURIFICATION DEPARTMENT

Purification Manager:	John E. Elliott	Iowa Grade IV Operator
Personnel:	Carolyn L. Hussein	Iowa Grade IV Operator
	John M. Meads	Iowa Grade IV Operator
	Gregory G. Reese	Iowa Grade III Operator
	Dennis D. Boruff	Iowa Grade III Operator
	Rodney A. Scott	Iowa Grade III Operator
	Timothy C. Parker	Iowa Grade II Operator

DISTRIBUTION DEPARTMENT

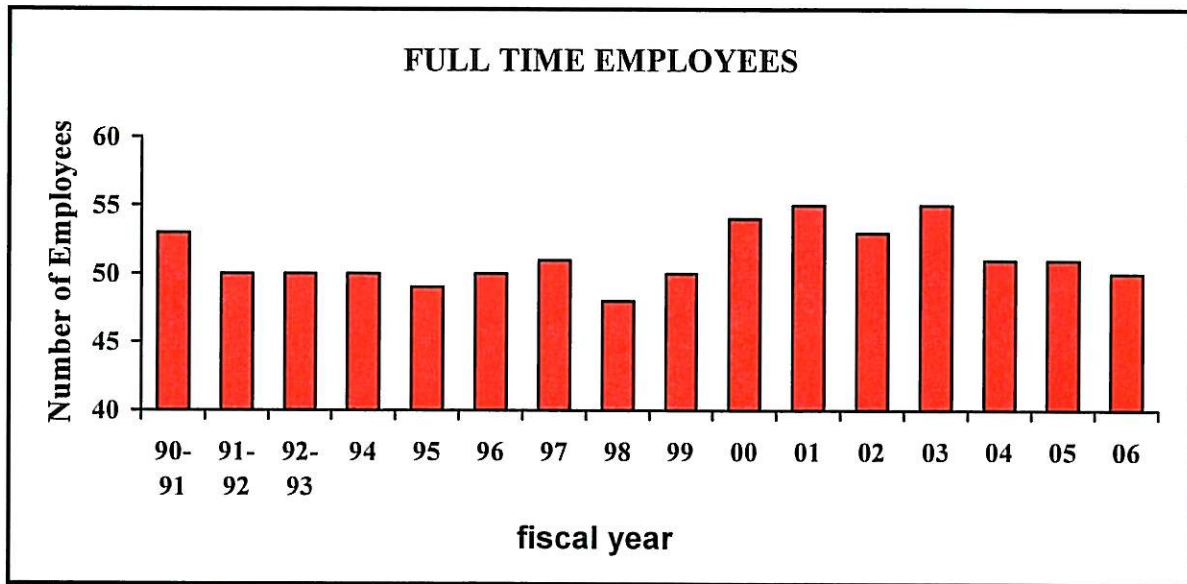
Distribution Manager:	William E. Wiggins Jr.	Iowa Grade IV Operator
Distribution Coordinator:	David J. Fullenkamp	
Distribution Supervisor:	Douglas L. Adkins	Iowa Grade II Operator
Engineering Technician:	Karen R. Perdue	
Personnel:	Dennis L. Wilson	Iowa Grade II Operator
	Matthew L. Farrell	Iowa Grade II Operator
	John D. Penney	Iowa Grade II Operator
	Steve W. Thurman	Iowa Grade II Operator
	Sammy J. Hughes	Iowa Grade I Operator
	Dustin L. Christensen	Iowa Grade I Operator
	Donald E. Sage	
	Brian E. Andersen	
	Edwin C. Kuhl	
	Clifford M. Anderson	
	Jeffrey A. Schuster	
	Michael J. Morgan	

MAINTENANCE DEPARTMENT

Maintenance Manager:	Ronnie G. Kopaska	
Maintenance Coordinator:	Kenneth W. Boardman	
Personnel:	Jeremy W. Redmond	ASC Certified Mechanic
	Billy J. Gearhart	
	Mark P. Applegate	
	James L. Smith Jr.	
	Joseph A. Masker	Wayne A. Stahlnecker
	Norman H. Sales Jr.	Shane E. Ruckman

CUSTOMER SERVICE/METER DEPARTMENT

Administrative Manager:	Karen A. Wisniski	
Systems Administrator:	Bruce M. Riegel	
Customer Service Coordinator:	Joseph E. Lenihan	
Staff Engineer:	Rex J. Anthony	Iowa Grade IV Operator
Meter Department Supervisor:	David A. McLean	
Personnel:	Stephen J. Ronk	
	Russell D. Osbahr	
	Kenny C. McKeighan	Lisa A. Lang
	Dan L. Riesland	Rose Ann Wolfe
	Travis P. Anderson	Kristin N. Nelson
	Chad M. Springer	Loni N. Koopmeiners



HIGHLIGHTS
AND
STATISTICS

PURIFICATION DEPARTMENT

Last year was the second highest for pumping water and the third year for pumping more than four billion gallons of water. We broke two pumping records during 2006. On July 7th we pumped 18,470,000 gallons, surpassing the record set in 2005 by 250,000 gallons. In July we also set the record for a single month by pumping 484,100,000 gallons.

The drought still persists in the mid west and the upper regions of the Missouri River Basin. Due to the drought the reservoirs are at record low levels. Runoff for 2006 totaled 18.5 million acre feet, 74 percent of normal. This is the 7th consecutive year of less than normal runoff. The navigation season is typically open until late November was shortened 44 days to conserve water.

The contract for the second and final stage of our SCADA project was awarded in August. Panel design and shop drawings have been approved and the project should be completed in the spring of 2007.

The Iowa Department of Natural Resources sponsored a seminar at the Council Bluffs Water Works to prepare us and other Public Water Supplies for two new rules that will go into effect in 2007. The new rules are the Stage 2 Disinfection By-Product Rule and the Long Term 2 Surface Water Treatment Rule.

All our water tests meet or exceeded water quality standards set by the Iowa Department of Natural Resources and Environmental Protection Agency.

DISTRIBUTION DEPARTMENT

The Distribution Department's main replacement efforts this year were in support of city street and sewer replacement projects. Department personnel repaired approximately 2,162 square yards of PCC paving with an additional 1,357 square yards of paving done by a contractor. Asphalt overlay was installed by agreement with the Public Works Department.

This year the department:

- Made 306 small taps
- Checked 219 service leaks
- Turned on/off 202 services
- Repaired 49 stops and 146 curb boxes
- Replaced 20 services from main to stop box
- 97 services were connected by contractors
- Disconnected 78 services at the main and 33 at the curb stop
- Answered 5,111 requests for service line or main location
- Turned 91 large valves, rebuilt 20, repaired 24, replaced 13 and installed 176 new valves
- Repaired 48 main leaks
- Repaired 19 valve boxes
- Made 20 large taps (4 inches and above)
- Moved 2 water mains
- Observed installation of 37,149 feet of new mains installed by contractors and Water Works personnel

Mains installed by Water Works were:

- 193 feet of 6-inch main
- 388 feet of 8-inch main

Mains installed by Contractors were:

69	feet of 6-inch main
11,396	feet of 8-inch main
1,415	feet of 10-inch main
14,943	feet of 12-inch main
8,903	feet of 16-inch main

Removed 12 fire hydrants from service which were obsolete, damaged or for main replacement
Checked 2,167 hydrants
Repaired 173 hydrants
Installed 64 hydrants for new mains
Installed 1 hydrant for Fire Department
Flushed 393 hydrants
Scooped snow from 60 hydrants
Checked 92 fire hydrants for ice and thawed 3

Street repair required 2,103 square yards of asphalt and 14.6 tons of cold mix was used as temporary surfacing.

MAINTENANCE DEPARTMENT

The Maintenance Department completed another year of service for the company and the citizens of the community. All rotating equipment was maintained as well as all grounds and facilities. The automotive fleet, consisting of over thirty (30) vehicles, was maintained.

The Maintenance Department personnel oversees the daily operation of the Storeroom and Warehouse. Responsibilities include material purchasing, storage, and distribution.

In 2006, our company hosted the State of Iowa American Water Works Association (AWWA) annual meeting. Maintenance personnel worked extra hours doing in-house cleaning, painting, and grounds work within the facility. The entire interior of the Intake Building was painted, including pumps, crane rails, piping, and conduits.

This was an opportune time in which the main office building also received a face lift. A new bronze urethane paint was applied to the building's exterior, and for the landscaping, the Council Bluffs Water Works contracted Sherbondy's to plant twelve (12) shade trees and over fifty (50) miscellaneous roses and flowers.

The second stage clarifier and flocculator concrete decks were repaired, and a protective paint coating was applied. Hand railings were also painted. The previously stated preventative maintenance projects extend machinery and structures life spans as well as improving cosmetic appearances simultaneously.

A major project involved replacing Traveling Screen #2 inside the Intake Building. The purpose of the screens are to remove sticks and debris from entering the sump chamber of the Low Service Pumps. The new Traveling Screen weighed over 16,000 lbs. and had the following physical dimensions: 10' long x 6' wide x 45' high. Maintenance personnel performed all preparatory mechanical and electrical work.

The new Valley View Pump Station was installed in 2006. As our community grows, increased water distribution and storage has to grow simultaneously. The new pump station is beneficial in two ways. It services future water needs in the Southeast area of Council Bluffs, Iowa and will be a much needed

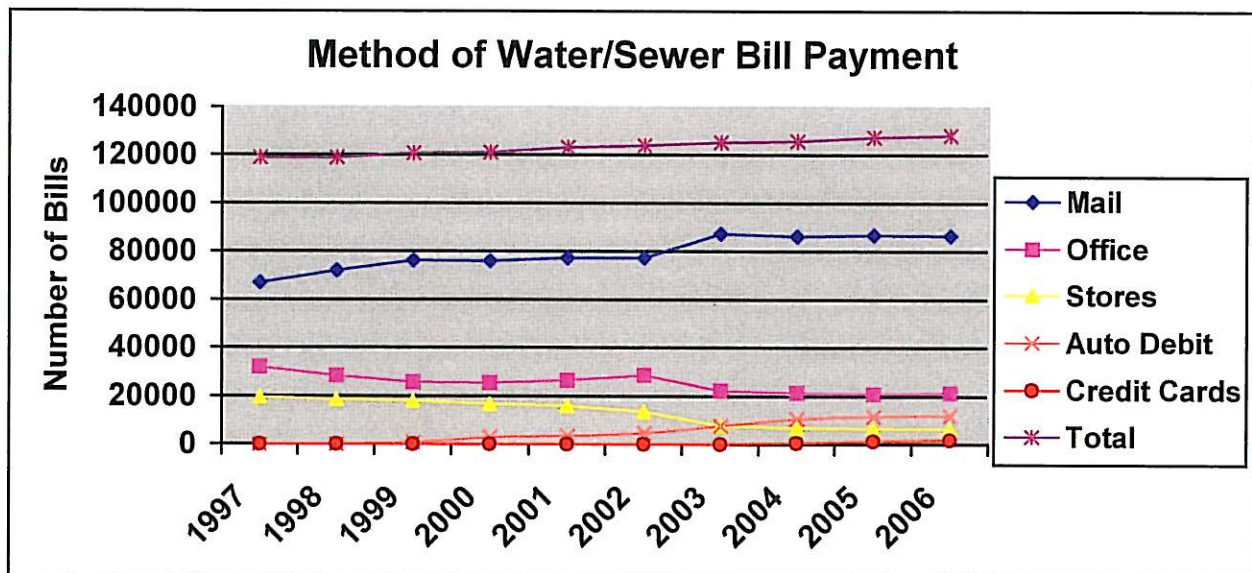
backup to the Glen Avenue Pump Station's water distribution grid.

The automotive fleet was upgraded with the replacement of three (3) new units. (CBWW #3, #13, and #30). One Service Truck for the Meter Department, one Pick-up truck, and one front end loader/backhoe, for the Distribution Department.

In summary, 2006 was a very successful year for maintenance personnel. They are responsible for the daily operation of all rotating equipment and maintaining over 100 acres with respective buildings and structures.

CUSTOMER SERVICE/METER DEPARTMENT

The Customer Service/Meter Department took 116,961 meter readings, mailed 132,041 bills, and sent 33,206 reminders and 16,394 shut-off notices to customers. There were 12,060 automatic bank payments. There were 1,824 credit card payments. 14,857 shut-off notices were paid before the shut-off date or credit arrangements made with the Credit Manager. 3,075 were paid on the day of shut-off and 1,537 services were discontinued for non-payment. 23 services were discontinued for returned checks. 3,862 service contracts were processed to transfer, reinstate or add new customers to the system. We gained 270 new customers. 16,457 meter service orders were written for final readings, high bills, dead meters, or to install new meters and 952 meters were installed or replaced.



GENERAL INFORMATION

The Council Bluffs Water Works has 20,985 active service accounts: 1,657 are commercial or industrial, 19,328 are residential.

Our ten largest water customers are:

<u>2006 Rank</u>		<u>2005 Rank</u>
1.	Con Agra Frozen Foods	1
2.	Griffin Pipe Products	3
3.	Bunge Corporation	2
4.	Mid American Energy Co.	4
5.	Tyson Foods (formally Iowa Beef Packers (IBP)	5
6.	Plumrose USA, Inc.	6
7.	Ameristar	9
8.	Regional Water	7
9.	Iowa Western Community College	8
10.	Dallas Johnson Green House	10

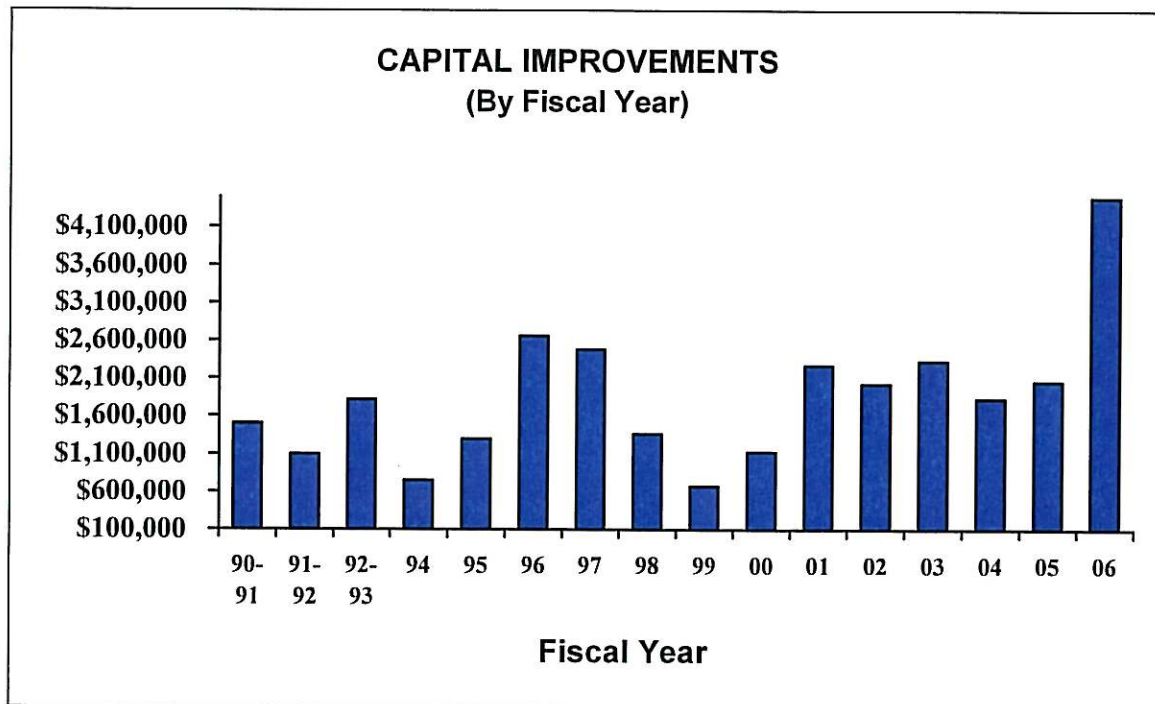
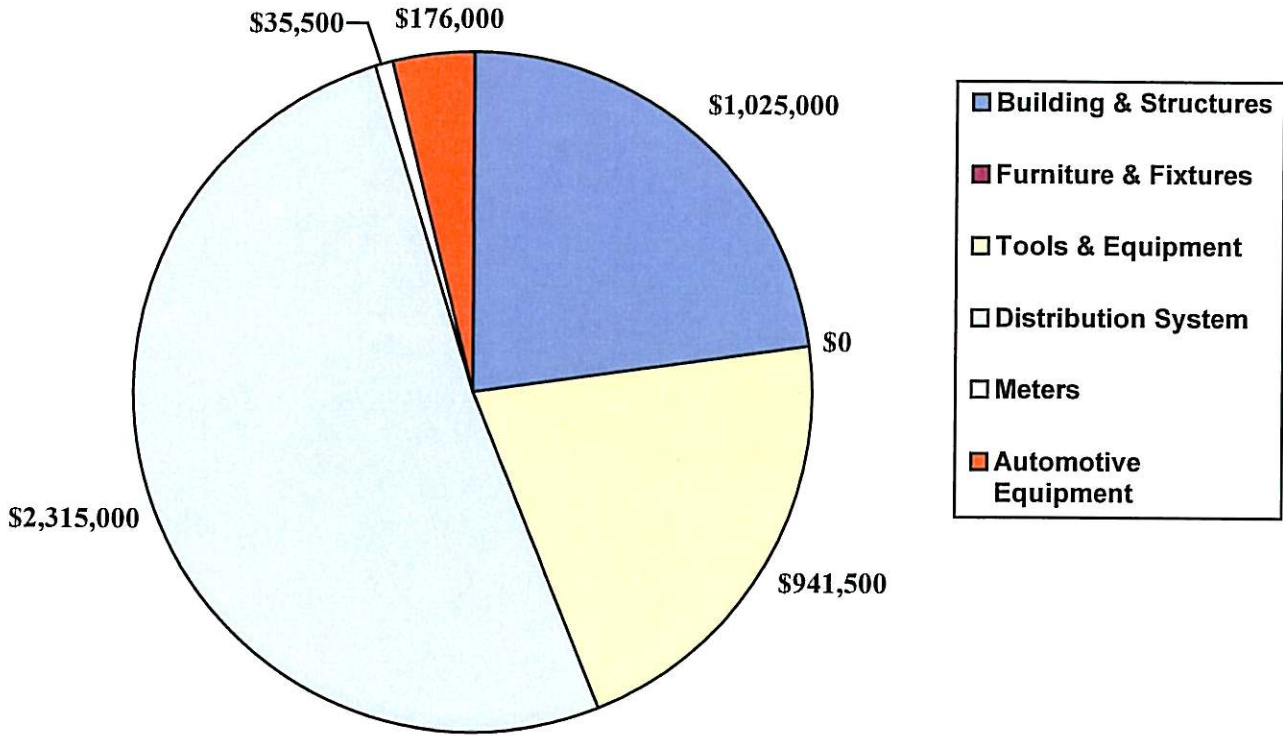
The Council Bluffs Water Works has 290.48 miles of water mains consisting of:

1-inch main	3,330	feet
1 ¼ inch main	310	feet
2-inch main	1,457	feet
4-inch main	53,708	feet
6-inch main	617,439	feet
8-inch main	299,826	feet
10-inch main	147,481	feet
12-inch main	206,112	feet
16-inch main	158,803	feet
20-inch main	7,723	feet
24-inch main	24,327	feet
30-inch main	4,216	feet
36-inch main	8,995	feet

Number of Hydrants: 2,794

Number of Valves: 8,372

2006 CAPITAL IMPROVEMENTS
TOTAL \$4,493,000



(92-93 is an 18-month period)

HISTORY

Construction of the Council Bluffs Water System began in 1881 by the American Construction Company of New York City, which had been granted a 25 year franchise by the City of Council Bluffs. Under the franchise, the American Construction Company was to construct and operate a water system. The system constructed was very inferior, and during the life of the franchise, practically no improvements or extensions were made. As a result, along with the poor service rendered by the water company, the renewal of the franchise was rejected by the voters in 1906. In 1911, the City acquired the water system through condemnation proceedings at a cost of \$510,000. On June 1, 1911, the control of the Council Bluffs Water Works came under the Board of Water Works Trustees, which had been appointed by the Mayor. Their first task was to reconstruct or replace practically the entire system. The utility remains under the control of a five member Board of Trustees, appointed by the Mayor on alternate terms of six years each. Many physical changes have occurred within the water system itself. The system in 1911 consisted of obtaining water from the Missouri River near North 37th Street, settling in large reservoirs, disinfecting, and pumping. Disinfection was begun in 1910 which eliminated illness and deaths from typhoid. In 1952, a conventional lime softening water treatment plant was constructed at North 25th Street. The Administration Building was relocated to North 25th Street in 1974. In the ensuing thirty years many other improvements have been made including the construction of the 2,000,000 gallon Valley View Reservoir, a Distribution/Meter Department Office and Warehouse Complex, a 1,500,000 gallon Clearwell, a modern Chlorine Handling Facility, 3 Elevated Storage Tanks and two Pump Station.

GENERAL DESCRIPTION OF SYSTEM OPERATIONS

The water systems main source of water is the Missouri River. Four low service pumps are located at the intake pump station. #1 pump is rated at 12.5 million gallons per day (MGD) and is a dual drive pump (electric or gas engine) #2 pump is rated at 5.5 MGD. #3 pump is a variable speed with a maximum capacity of 9.0 MGD. #4 pump is also variable speed with a maximum capacity of 12.5 MGD. Any single pump can be run from a standby generator if commercial power fails.

The secondary source of water is the Missouri River Alluvium. Two wells at a depth of 150 feet have a capacity of 4.5 MGD each.

Traveling screens at the Intake Pump Station remove large debris before it is pumped to twin preliminary settling basins where the sand and heavy silt settle out. Polyelectrolytes are added when necessary to enhance the settling process. Well water is blended with the cold river water in the winter to minimize icing problems within the basins. Water then flows by gravity through the remaining treatment steps.

There are two independent treatment trains at the purification plant. Typically, the plant operates in a split treatment mode where lime is added to approximately 70% of the water to elevate the pH sufficiently to precipitate magnesium and calcium ions. This softened water is blended with un-softened water as needed to adjust the pH and hardness of the water. Soda Ash and Ferric Sulfate are added as required to complete the coagulation and softening process. A series of mixers and flocculators ensure a complete chemical reaction prior to the clarification basins. Solids are recycled to the mixers as a catalyst for the chemical reactions.

Water then flows to 8 gravity multi-media filters. Each filter has a rated capacity of 3.0 MGD. The filters remove any remaining particles. The filters have a granular activated carbon cap that remove dissolved organic compounds and tasted and odor causing compounds by adsorption.

Chlorine is added as a disinfectant before and after the filters. Fluoride is added as a prophylaxis. The water then flows through two 1.5 million gallon baffled clearwells to ensure inactivation of microorganisms. Ammonia is then added to convert the chlorine to chloramines to stabilize the chlorine residual and control disinfection by-products.

There are four high service pumps that deliver water to the City. Two of the pumps have a capacity of 10 MGD, one is 7.5 MGD and the smallest is 6 MGD. Pumps can be run in any combination to meet demand. Typical plant discharge pressure is 90 – 100 pounds per square inch.

A 500 kW and 100 kW generators provide emergency back up power to the plant in case of commercial power failure.

The distribution system has three pressure zones. The first zone is the flat (western and southern) sections of the city and is served by three 2 million gallon reservoirs. Two of the reservoirs are located downtown and one is located in the southeastern part of the city.

Four booster pump stations and 4 elevated storage tanks with a combined capacity of 1.2 million gallons serve the second pressure zone (bluffs). Lincoln Pump Station has three pumps rated at 600, 750 and 750 gallons per minute (gpm), one is dual drive (electric or gas). Lincoln Pump Station delivers water to the northern section of the City and pumps to a 500,000 gallon elevated tank at Buena Vista Circle and a 200,000 gallon elevated tank at Simms Avenue. Glen Pump Station has three pumps rated at 1500, 800 and 2500 gpm, the largest being a dual drive. This booster pump station delivers to the eastern section of the city and pumps to a 200,000 gallon elevated tank at Memorial Park and a 300,000 gallon tank on Greenview Drive. The Valley View Pump Station has two pumps rated at 750 gpm and 1500 gpm. A gas fired generator provides emergency backup power. This new pump station supports the rapidly growing eastern sections of the city. Oak Street Pump Station has three pumps rated at 400, 700 and 700 gpm, one is a dual drive. This pump station supports both the northern and eastern sections of the bluffs.

A third pressure zone of the distribution system serves the eastern portions of the system. The Airport/Bent Tree pump station has three variable speed pumps each with a maximum capacity of 600 gallons per minute and pump to a 400,000 gallon elevated tank on Highway 6. A gas fired generator provides emergency back up power.

A Supervisory Control and Data Acquisition System monitors all pump station and tank operation from the Water Treatment Plant located on North 25th Street.

FINANCIAL STATEMENTS

COUNCIL BLUFFS CITY WATER WORKS
FINANCIAL STATEMENTS AND SCHEDULE
DECEMBER 31, 2006 and 2005
(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Council Bluffs City Water Works
Council Bluffs, Iowa

We have audited the accompanying balance sheets of the Council Bluffs City Water Works, Council Bluffs, Iowa (Water Works) as of December 31, 2006 and 2005, and the related statements of revenues and expenses, fund equity and cash flows for the years then ended. These financial statements are the responsibility of the Water Works' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the "Code of Iowa" and "Governmental Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council Bluffs City Water Works as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards", we have also issued a report dated April 12, 2007 on our consideration of the Water Works' internal control over financial reporting. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, and not to provide an opinion on the internal control over financial reporting. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 1 through 4 and 16 through 17 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Hamilton Associates, P.C.

Council Bluffs, Iowa
April 12, 2007

Council Bluffs Water Works Council Bluffs, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS Calendar Year Ending December 31, 2006 (Audited)

Council Bluffs Water Works provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the calendar year ending December 31, 2006. We encourage readers to consider this information in conjunction with our financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ♦ The Water Works' operating revenues increased 2.6%, or \$204,250, from calendar year 2005 to 2006.
- ♦ The Water Works' operating expenses increased by 9.1%, or \$587,624, more in calendar year 2005 to 2006.
- ♦ The Water Works' net assets increased 6.5% or \$2,241,629, from December 31, 2005 to December 31, 2006.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Water Works financial activities.

Financial Statements consist of Balance Sheets, Statements of Revenues and Expenses, Statements of Fund Equity, and Statements of Cash Flows. These provide information about the activities of the Council Bluffs Water Works as a whole and present an overall view of the Water Works finances.

Notes to financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statement with a comparison of the Water Works' budget for the year.

Other Supplementary Information provides comparative financial data with a prior year and statistical data.

FINANCIAL ANALYSIS

Statement of Net Assets

The statement of net assets presents the assets, liabilities, and net assets of the Water Works, as of the end of the calendar year. The purpose of this statement is to present a summary of the Water Works to the readers of the financial statements. The statement of net assets includes year-end information concerning current assets and liabilities, and net assets (assets less liabilities). Readers of the financial statements are able to determine the Water Works financial position by analyzing the increases and decreases in net assets. This statement is a good source for readers to determine how much the Water Works owes to outside vendors and creditors. The statement presents the available assets that can be used to satisfy those liabilities.

The largest portion of the Water Works' net assets 70.7% is the investment in capital assets (building and structures, furniture and fixtures, tools and equipment, distribution system, meters and automotive equipment), less the related debt. The restricted portion of the net assets 13.0% includes resources that are subject to restrictions. The remaining net assets 16.3% are the unrestricted net assets that can be used to meet the Water Works' obligations as they come due.

Net Assets December 31, 2006 and 2005		
	<u>2006</u>	<u>2005</u>
Current Assets	\$ 9,665,328	\$ 6,843,163
Restricted Assets	3,522,615	3,572,945
Capital Assets	<u>32,423,494</u>	<u>30,015,369</u>
Total Assets	<u>\$45,611,437</u>	<u>\$40,431,477</u>
Current Liabilities (payable from current assets)	\$ 1,823,858	\$ 1,613,929
Current Liabilities (payable from restricted assets)	1,253,883	705,431
Revenue bonds payable	<u>5,800,000</u>	<u>3,620,050</u>
Total Liabilities	<u>\$ 8,877,741</u>	<u>\$ 5,939,410</u>
Net Assets:		
Invested in capital assets, net of related debt	\$25,973,494	\$25,905,319
Restricted	2,268,732	2,867,514
Unrestricted	<u>8,491,470</u>	<u>5,719,234</u>
Total Net asset	<u>\$36,733,696</u>	<u>\$34,492,067</u>

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the statement of net assets are based on the activity presented in the statement of revenues, expenses, and changes in net assets. The purpose of the statement is to present the revenues received by the Waters Works, both operating and non-operating, and the expenses incurred.

A summary of revenues, expenses and changes in net assets for the year ending December 31, 2006 and 2005 is presented below:

<u>Changes in Net Assets</u>		
	<u>2006</u>	<u>2005</u>
Operating revenues:		
Metered water sales	\$ 7,481,138	\$ 7,483,872
Rental	69,279	53,590
Other	<u>564,476</u>	<u>373,181</u>
Total operating revenues	<u>\$ 8,114,893</u>	<u>\$ 7,910,643</u>
Operating expenses:		
Facilities and maintenance	\$ 736,122	\$ 706,230
Purification	929,379	824,497
Transmission and distribution	810,303	723,784
Consumer accounting and meter division	663,896	641,417
Administration and general	1,492,270	1,422,490
Pension and social security	232,447	231,295
Depreciation and amortization	<u>2,176,946</u>	<u>1,904,026</u>
Total operating expenses	<u>\$ 7,041,363</u>	<u>\$ 6,453,739</u>
Non-operating revenues (expenses):		
Interest on investments	\$ 551,775	\$ 208,860
Interest expense	(260,335)	(184,957)
Loss on disposal of equipment	<u>(332)</u>	<u>(73,419)</u>
Non-operating revenues, net	<u>\$ 291,108</u>	<u>\$ (49,516)</u>
Excess of revenues over expenses	<u>\$ 1,364,638</u>	<u>\$ 1,407,388</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the calendar year.

In calendar year 2006, operating revenues increased by \$204,250 or 2.6%, primarily a result of increase rates on capital facility fees and service charges.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities include metered water sales, miscellaneous water sales, penalty charges, and service charges. Cash used from capital and related financing activities includes: principal payment of revenue bonds, interest paid on revenue bonds, interest paid on consumer deposits, additions to property, plant, and equipment, and contributions-in-aid of construction. Cash used by investing activities includes purchase of certificates of deposits and interest income.

CAPITAL ASSETS

At December 31, 2006, the Water Works had \$59,965,991 invested in capital assets, net of accumulated depreciation of \$27,659,460. Depreciation expense totaled \$2,163,934 for calendar year 2006. More detailed information about the Water Works' capital assets are presented in Note 4 to the financial statements.

LONG-TERM DEBT

At December 31, 2006, the Water Works had \$6,450,000 debt outstanding. During the year ended December 31, 2006, the Water Works issued \$3,005,000 in tax-exempt Water Revenue Bonds Series 2006, bearing interest at rates ranging from 3.5% to 4.375% due in 2020.

ECONOMIC FACTORS

Council Bluffs Water Works continued to support development throughout the community to improve its financial position during the current calendar year.

- ♦ Vulnerability and security improvement of our system will be an ongoing process.
- ♦ Facilities at the Water Works require constant maintenance and upkeep.
- ♦ Chemical cost, electricity, maintenance of mains and services, and health insurance continue to put pressure on the Water Works resources.
- ♦ Continued growth in the community requires the Water Works to invest in new infrastructures to meet the growing demands of the community.

CONTACTING THE COUNCIL BLUFFS WATER WORKS FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, investors and creditors with a general overview of the Water Works finances and operating activities. If you have any questions or require additional, information please contact the General Manager, 2000 North 25th Street, P O Box 309, Council Bluffs, Iowa 51502.

COUNCIL BLUFFS CITY WATER WORKS

BALANCE SHEETS December 31, 2006 and 2005

ASSETS	2006	2005
CURRENT ASSETS		
Cash (Note 2)	\$ 5,584,142	\$ 3,314,472
Short-term investments (Note 2)	1,539,000	1,539,000
Inventory	672,735	608,325
Receivables:		
Consumer accounts, net of allowance for doubtful accounts of \$1,000 in 2006 and \$1,000 in 2005	1,364,578	925,424
Unbilled revenues	327,814	329,793
Accrued interest	67,079	15,527
Total receivables	\$ 1,759,471	\$ 1,270,744
Prepaid insurance	109,980	110,622
Restricted assets (Note 3)	3,522,615	3,572,945
Total current assets	\$ 13,187,943	\$ 10,416,108
Property, plant and equipment, net (Note 4)	32,306,531	29,919,395
Capitalized Costs, net (Note 5)	116,963	95,974
	<u>\$ 45,611,437</u>	<u>\$ 40,431,477</u>
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Current liabilities (payable from current assets):		
Accounts payable	\$ 460,795	\$ 512,115
Salaries payable	5,872	5,445
Accrued compensated absences	139,682	121,936
Accrued interest payable	18,961	5,556
Due to City of Council Bluffs	548,548	478,877
Current portion of revenue bonds payable (Note 6)	650,000	490,000
Total current liabilities (payable from current assets)	\$ 1,823,858	\$ 1,613,929
Current liabilities (payable from restricted assets):		
Consumer deposits	\$ 492,750	\$ 437,485
Main extension escrow deposit	629,807	141,710
Accrued interest on consumer deposits	131,326	126,236
Total current liabilities (payable from restricted assets)	\$ 1,253,883	\$ 705,431
Revenue bonds payable (Note 6)	\$ 5,800,000	\$ 3,620,050
Total liabilities	\$ 8,877,741	\$ 5,939,410
FUND EQUITY		
Contributed capital:		
Other governments	\$ 1,752,704	\$ 1,835,600
Customers and developers	7,135,851	6,780,751
Total contributed capital	\$ 8,888,555	\$ 8,616,351
Retained earnings	27,845,141	25,875,716
Total fund equity	\$ 36,733,696	\$ 34,492,067
	<u>\$ 45,611,437</u>	<u>\$ 40,431,477</u>

See Notes to Financial Statements.

COUNCIL BLUFFS CITY WATER WORKS
STATEMENTS OF REVENUES AND EXPENSES
Years Ended December 31, 2006 and 2005

	2006	2005
Operating revenues:		
Metered water sales	\$ 7,481,138	\$ 7,483,872
Rental	69,279	53,590
Other	<u>564,476</u>	<u>373,181</u>
Total operating revenues	<u>\$ 8,114,893</u>	<u>\$ 7,910,643</u>
Operating expenses:		
Facilities and maintenance	\$ 736,122	\$ 706,230
Purification	929,379	824,497
Transmission and distribution	810,303	723,784
Consumer accounting and meter division	663,896	641,417
Administration and general	1,492,270	1,422,490
Pension and social security	232,447	231,295
Depreciation and amortization	<u>2,176,946</u>	<u>1,904,026</u>
Total operating expenses	<u>\$ 7,041,363</u>	<u>\$ 6,453,739</u>
Operating income	<u>\$ 1,073,530</u>	<u>\$ 1,456,904</u>
Nonoperating revenues (expenses):		
Interest on investments	\$ 551,775	\$ 208,860
Interest expense	(262,677)	(184,957)
Loss on disposal of equipment	<u>(332)</u>	<u>(73,419)</u>
Nonoperating revenues, net	<u>\$ 288,766</u>	<u>\$ (49,516)</u>
Excess of revenues over expenses	<u><u>\$ 1,362,296</u></u>	<u><u>\$ 1,407,388</u></u>

See Notes to Financial Statements.

COUNCIL BLUFFS CITY WATER WORKS

STATEMENTS OF FUND EQUITY
Years Ended December 31, 2006 and 2005

	Contributed Capital			Retained Earnings	Total Fund Equity
	Other Governments	Customers and Developers	Total		
Balances at December 31, 2004	\$1,793,736	\$ 5,243,738	\$ 7,037,474	\$ 23,914,956	\$30,952,430
Excess of revenues over expenses				1,407,388	1,407,388
Contributions-in-aid of construction	153,374	1,978,875	2,132,249	-	2,132,249
Transfers – Depreciation of contributed property, plant and equipment	<u>(111,510)</u>	<u>(441,862)</u>	<u>(553,372)</u>	<u>553,372</u>	<u>-</u>
Balances at December 31, 2005	\$1,835,600	\$ 6,780,751	\$ 8,616,351	\$ 25,875,716	\$34,492,067
Excess of revenues over expenses				1,362,296	1,362,296
Contributions-in-aid of construction	40,426	838,907	879,333	-	879,333
Transfers – Depreciation of contributed property, plant and equipment	<u>(123,322)</u>	<u>(483,807)</u>	<u>(607,129)</u>	<u>607,129</u>	<u>-</u>
Balances at December 31, 2006	<u>\$1,752,704</u>	<u>\$ 7,135,851</u>	<u>\$ 8,888,555</u>	<u>\$ 27,845,141</u>	<u>\$36,733,696</u>

See Notes to Financial Statements.

COUNCIL BLUFFS CITY WATER WORKS

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 7,043,963	\$ 7,433,562
Cash received from other revenues	633,755	426,771
Cash paid to suppliers for goods and services	(2,770,739)	(2,370,701)
Cash paid to employees and on their behalf	(2,135,328)	(2,120,535)
Payments to City for sewer services net of collections	69,671	94,428
Net cash provided by operating activities:	<u>\$ 2,841,322</u>	<u>\$ 3,463,525</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payment of revenue bonds	\$ (635,000)	\$ (2,345,000)
Revenue bonds issued	3,005,000	1,995,000
Premium(discount) on bonds issued	(20,999)	7,651
Revenue bonds deposit	(30,050)	30,050
Interest paid on revenue bonds	(226,327)	(172,208)
Interest paid on consumer deposits	(17,855)	(15,353)
Additions to property, plant, and equipment	(4,564,404)	(3,734,488)
Payment of bond issue costs	-	(70,367)
Main extension escrow deposits	488,097	(1,288,322)
Contributions-in-aid of construction	879,333	2,132,249
Net cash provided by capital and related financing activities	<u>\$ (1,122,205)</u>	<u>\$ (3,460,788)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (purchases) sales of investments	\$ (1,732,000)	\$ 1,832,850
Interest received on investments	485,730	206,203
Net cash provided investing activities	<u>\$ (1,246,270)</u>	<u>\$ 2,039,053</u>
Net increase (decrease) in cash	\$ 472,847	\$ 2,041,790
Cash at beginning of year	<u>6,213,385</u>	<u>4,171,595</u>
Cash at end of year	<u>\$ 6,686,232</u>	<u>\$ 6,213,385</u>
Reconciliation to balance sheets:		
Cash	\$ 5,584,142	\$ 3,314,472
Cash included in restricted assets	<u>1,102,090</u>	<u>2,898,913</u>
	<u>\$ 6,686,232</u>	<u>\$ 6,213,385</u>
See Notes to Financial Statements.		

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2006 and 2005

Note 1. Summary of Significant Accounting Policies

Reporting Entity and Basis of Accounting

The Council Bluffs City Water Works ("Water Works") is a related organization to the City of Council Bluffs, Iowa ("City") and is not included in the City's financial statements. The Mayor, with City Council concurrence, appoints individuals to the Water Works' Board of Trustees. The Water Works' Board of Trustees maintains oversight responsibility and, therefore, is responsible for selection of management personnel and all financial matters. The authority to adopt the annual budget, to incur debt and to fix rates and charges is vested in the Board of Trustees. The Water Works is exempt from state and Federal income taxes. The Water Works' financial statements are prepared on the accrual basis.

The Water Works has elected to apply all pronouncements of the Governmental Accounting Standards Board ("GASB") as well as all Financial Accounting Standards Board's statements and interpretations issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended December 31, 2004. The statements create new basic financial statements for reporting the Water Works' financial activities. The financial statements have always been prepared on an accrual basis of accounting so the beginning net assets did not have to be restated for that reason.

Revenues

Metered water sales include amounts billed to customers on a monthly and bimonthly cycle basis and unbilled amounts based on estimated usage from the latest meter reading to the end of the accounting period.

Short-term Investments

Investments include time certificates of deposit maturing within six months. Investments are carried at cost which approximates market.

Consumer Accounts Receivable

The consumer accounts receivable balance includes an assessment for sewer fees, which the Water Works bills on behalf of the City. A corresponding liability represents the amount of consumer accounts receivable that will be remitted to the City upon collection.

Valuation of Inventories

Inventories are valued at the lower of cost (average cost method) or market.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2006 and 2005

Note 1. Summary of Significant Accounting Policies – Continued

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed using the straight-line method based on estimated useful lives.

Maintenance and repair of property, plant and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of property, plant and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations.

Accrued Compensated Absences

Accrued compensated absences represent vacation time, which has been earned by employees in the current year to be used in subsequent years. Sick leave does not vest and, therefore, is not accrued.

Contributions-in-Aid of Construction and Contributed Capital

Contributions of cash by governments, customers or developers are maintained by the Water Works as restricted assets and restricted liabilities until expended. When expended the contributor's costs of construction are recorded as property, plant and equipment and contributed capital. Further, a contribution may be in the form of a completed project in which the contributor's costs of construction is recorded directly into the property, plant and equipment and contributed capital accounts. Depreciation expense recognized on these assets is charged to contributed capital.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Water Works considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents.

Use of estimates

In preparing the accompanying financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2006 and 2005

Note 2. Cash and Short-term Investments

Listed below is a summary of the deposit and investment portfolios that comprise cash and investments on the December 31, 2006 balance sheet including restricted cash and cash equivalents and investments:

Deposits

For reporting purposes, Water Works' deposits are classified in these three categories of credit risk:

1. Insured or collateralized with securities held by the Water Works or by its agent in the Water Works' name.
2. Collateralized with securities held by the pledging financial institution's trust department in the Water Works' name.
3. Uncollateralized.

At December 31, 2006, deposits consisted of the following:

Book Balance	Bank Balance	Category		
		1	2	3
<u>\$ 6,686,232</u>	<u>\$ 7,209,958</u>	<u>\$ 100,000</u>	<u>\$ - -</u>	<u>\$ 7,109,958</u>

Investments

For reporting purposes, the Water Works' investments are classified in these three categories of credit risk:

1. Insured or registered, or securities held by the entity, or its agent in the Water Works' name.
2. Uninsured and unregistered with securities held by the counterparty, or by its trust department or agent in the Water Works' name.
3. Uninsured and unregistered with securities held by the counterparty, or by its trust department or agent, but not in the Water Works name.

Investments at December 31, 2006 consisted of the following:

	Category			Carrying amount	Market value
	1	2	3		
Investments	<u>\$ 200,000</u>	<u>\$ - -</u>	<u>\$ 3,737,500</u>	\$ 3,937,500	<u>\$ 3,937,500</u>
Deposits				<u>6,686,232</u>	
				\$10,623,732	
Restricted assets (excluding accrued interest)				<u>3,500,590</u>	
				<u>\$ 7,123,142</u>	

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2006 and 2005

Note 3. Restricted Assets

Restricted assets represent money set aside for payment of bonds, proceeds from bond issues to be used for capital improvements, or contributions of cash by governments, customers, or developers for costs of construction. These contributions are reflected as restricted assets until expended. Details of the accounts comprising restricted assets as of December 31, 2006 and 2005 are as follows:

	2006	2005
Consumer deposit fund cash	\$ 379,694	\$ 317,104
Main Extension Deposit	407,363	--
Improvement fund cash	--	600,000
Sinking fund cash	73,128	36,131
Consumer deposit fund investments	210,000	210,000
Reserve fund investments	708,500	456,500
Project Fund Cash	241,905	1,945,678
Project Fund Investments	1,480,000	--
Accrued interest	<u>22,025</u>	<u>7,532</u>
	<u>\$ 3,522,615</u>	<u>\$ 3,572,945</u>

Note 4. Property, Plant and Equipment

Property, plant and equipment at December 31, 2006 and 2005 consists of the following:

Description	Useful life in years	2006	2005
Land	-	\$ 132,948	\$ 132,948
Buildings and structures	20-40	9,297,422	9,060,707
Water distribution system	20-40	38,370,642	36,172,184
Meters	25-40	923,838	942,263
Tools and equipment	3-20	6,268,908	5,793,015
Automobiles and trucks	5	1,318,832	1,181,787
Office equipment	15	159,201	159,201
Work in progress		<u>3,494,200</u>	<u>2,182,369</u>
		\$ 59,965,991	\$ 55,624,474
Less accumulated depreciation		<u>27,659,460</u>	<u>25,705,079</u>
		<u>\$ 32,306,531</u>	<u>\$ 29,919,395</u>

As of December 31, 2006 the Water Works had contractual commitments of approximately \$629,807 for various construction projects of which \$511,429 has been completed. Funding for these projects will be from the general fund.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2006 and 2005

Note 5. Capitalized Costs

The costs incurred to obtain financing of the Revenue Bond Refunding, Series 2004 and the Water Revenue Bonds, Series 2005 and 2006 have been capitalized and are being amortized as described below:

		2006	2005
Water Revenue Refunding, Series 2004			
Financing costs	81 months	\$ 44,899	\$ 44,899
Less accumulated amortization		<u>(18,292)</u>	<u>(11,640)</u>
Capitalized costs, net		<u>\$ 26,607</u>	<u>\$ 33,259</u>
Water Revenue Bonds, Series 2005			
Financing costs	180 months	\$ 53,740	\$ 53,740
Bond Premium		(7,651)	(7,651)
Less accumulated amortization		<u>(2,986)</u>	<u>--</u>
Capitalized costs, net		<u>\$ 43,103</u>	<u>\$ 46,089</u>
Water Revenue Bonds, Series 2006			
Financing costs	180 months	\$ 16,626	\$ 16,626
Bond Discount		34,001	--
Less accumulated amortization		<u>(3,374)</u>	<u>--</u>
Capitalized costs, net		<u>\$ 47,253</u>	<u>\$ 16,626</u>
Total capitalized costs, net		<u>\$ 116,963</u>	<u>\$ 95,974</u>

Note 6. Revenue Bonds

On April 1, 1995, the Water Works issued \$4,500,000 in tax-exempt Water Revenue Bonds Series 1995, bearing interest at rates ranging from 5.4% to 5.5% due in 2010. The bonds were issued to pay costs of construction of a 1.5 MGD Clearwater Well as well as various other capital projects. The bonds may be redeemed, in whole at any time, or in part on any interest payment date, in order of maturity on or after December 1, 1996. These bonds were paid off in December 2005 with the proceeds from the 2004 Water Revenue Refunding Bonds.

On April 1, 2004, the Water Works issued \$2,085,000 in tax exempt Water Revenue Refunding Bonds Series 2004, bearing interest at rates ranging from 1.5% to 2.6% due in 2010. The bonds were issued to crossover refund on December 1, 2005, \$2,020,000 of the outstanding Series 1995 Bonds, maturing December 1, 2006 through 2010, originally dated April 1, 1995.

On December 21, 2005, the Water Works Issued \$1,995,000 in tax exempt Water Revenue Bonds Series 2005, bearing interest at rates ranging from 3.9% to 4.1% due in 2020. In January 2006, the Water Works issued \$3,005,000 in tax exempt Water Revenue Bonds Series 2006, bearing interest at rates ranging from 3.5% to 4.375%. The 2005 and 2006 Series bonds were issued to finance the following projects: a new booster pump station, new ground storage reservoir with a 2 to 3 million-gallon capacity, and new high service pump.

The bond resolutions relating to the Series 2004, 2005 and 2006 Revenue Bonds require the Water Works to provide net available revenue at an amount not less than 1.25 times the maximum annual debt service on the then outstanding bonds. For the year ended December 31, 2006 and 2005 the ratio was 4.21 and 5.55 respectively.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2006 and 2005

Note 6. Revenue Bonds (Continued)

The bond resolutions also provide for the maintenance of a revenue fund represented by a cash account into which all monies derived by the Water Works from revenue are to be deposited. These funds are transferred monthly, in amounts to meet specified requirements, to separate accounts for operations and maintenance, bond redemption and interest, bond reserves and capital projects. The Water Works was in compliance with all debt covenants for the years ended December 31, 2006 and 2005.

Principal and interest requirements to maturity on revenue bonds outstanding at December 31, 2006 are as follows:

Year ended December 31,	Principal	Interest	Total Requirements
2007	\$ 650,000	\$ 227,535	\$ 877,535
2008	680,000	211,185	891,185
2009	705,000	192,775	897,775
2010	735,000	172,605	907,605
2011	300,000	149,620	449,620
Thereafter	<u>3,380,000</u>	<u>740,840</u>	<u>4,120,840</u>
	<u>\$ 6,450,000</u>	<u>\$ 1,694,560</u>	<u>\$ 8,144,560</u>

Note 7. Retirement Systems

Water Works' Pension

The Water Works sponsors a defined contribution pension plan covering substantially all employees after six months of continuous employment. As of March 31, 2004, this plan was discontinued and all funds were distributed as of January 31, 2005. Employees had the options of buying into IPERS, rolling over into an IRA or receiving cash. There was no pension expense for the years ended December 31, 2006 and 2005.

IPERS

The Water Works is a participating employer in the Iowa Public Employees Retirement System ("IPERS"), which is a cost-sharing multiple-employer public employees retirement system designed as a supplement to Social Security. During 1998, IPERS adopted GASB Statement No. 25 and the Water Works adopted GASB Statement No. 27, "Accounting for Pensions by State and Local Government Employers".

All employees who did not participate in any other public retirement system in the State are eligible and must participate in IPERS. The pension plan provides retirement and death benefits, which are established by State statute. Generally, a member may retire at the age of 65 or any time after age 62 with 30 years or more of service or when age plus years of service equals or exceeds 88, and receive full benefits. However, regardless of meeting the Rule of 88 the member will not receive full benefits unless the member has at least 30 years of service. Members may also retire at the age of 55 or more at reduced benefits. Benefits vest after four years of service or after attaining the age of 55. Full benefits are equal to fifty-six percent of the average of the highest three years of covered wages times years of service divided by 30 for members retiring on or after July 1, 1992.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2006 and 2005

Note 7. Retirement Systems (Continued)

The plan is administered by the State of Iowa and the Water Works' responsibility is limited to payment of contributions. Contribution and benefit provisions are established by state law and may only be amended by the state legislature. During the year ended June 30, 2006, State statute requires contributions of 3.70 percent by the employee and 5.75 percent by the employer. Certain employers and employees in special risk occupations contribute at a slightly higher rate as required by statute. Contribution rates are applied on the first \$200,000 of compensation in calendar years 2006 and 2005. The contribution paid by the Water Works totaled \$112,894 and \$115,047 for the years ended December 31, 2006 and 2005 respectively, and the contribution paid by employees totaled \$72,444 and \$71,369, respectively. The total payroll for employees covered by IPERS for the years ended December 31, 2006 and 2005 was \$1,957,937 and \$1,928,838 respectively, and the total Water Works' payroll for 2006 and 2005 was \$1,962,061 and \$1,929,542 respectively. The Water Works' employer and employee contributions during the years ended December 31, 2006 and 2005 represented less than one percent of total contributions of all participating entities.

IPERS prepares a separate report that includes financial statements and required supplementary information. The report can be obtained by writing IPERS, 600 East court, P. O. Box 9117, Des Moines, Iowa 50306. IPERS does not invest in obligations of the State of Iowa or its political subdivisions.

Note 8. Risk Management

The Water Works is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Water Works carries commercial insurance for all risks of loss, including errors and omissions, destruction of assets and natural disasters. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Water Works participates in the City workers' compensation self-insurance plan. The plan pays \$500,000 per incident with no upper limit. The Water Works pays a premium to the City for its portion of workers' compensation.

COUNCIL BLUFFS CITY WATER WORKS

Comparison of Cash Basis – Actual with Cash Basis - Budget

Year ended December 31, 2006

Fund	<u>Cash basis – actual</u>		Cash basis - budget
	Home and Community Environment Program	Nonprogram	
Enterprise – general (revenues)	<u>\$ 8,608,524</u>	<u>\$ 5,137,754</u>	<u>\$ 8,152,160</u>
Enterprise – general (expenses)	<u>\$ 9,623,627</u>		<u>\$ 10,423,110</u>

Year ended December 31, 2005

Fund	<u>Cash basis – actual</u>		Cash basis - budget
	Home and Community Environment Program	Nonprogram	
Enterprise – general (revenues)	<u>\$ 8,022,513</u>	<u>\$ 5,059,085</u>	<u>\$ 7,337,200</u>
Enterprise – general (expenses)	<u>\$ 7,187,117</u>		<u>\$ 8,106,906</u>

See Independent Auditors' Report.

COUNCIL BLUFFS CITY WATER WORKS

BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES

BUDGET AND ACTUAL (GAAP BASIS)
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended December 31, 2006

	2006 Actual	2006 Budget	Budget Variance Favorable (Unfavorable)
Operating revenues:			
Metered water sales	\$ 7,481,138	\$ 7,349,500	\$ 131,638
Rental	69,279	48,600	20,679
Other	564,476	484,500	79,976
Total operating revenues	<u>\$ 8,114,893</u>	<u>\$ 7,882,600</u>	<u>\$ 232,293</u>
Operating expenses:			
Facilities and maintenance	\$ 736,122	\$ 755,310	\$ 19,188
Purification	929,379	909,295	(20,084)
Transmission and distribution	810,303	774,400	(35,903)
Consumer accounting and meter division	663,896	716,300	52,404
Administration and general	1,492,270	1,598,370	106,100
Pension and social security	232,447	243,500	11,053
Total operating expenses	<u>\$ 4,864,417</u>	<u>\$ 4,997,175</u>	<u>\$ 132,758</u>
Operating income	<u>\$ 3,250,476</u>	<u>\$ 2,885,425</u>	<u>\$ 365,051</u>
Nonoperating revenues (expenses):			
Interest on investments	\$ 551,775	\$ 284,560	\$ 267,215
Interest expense	(260,335)	(296,685)	36,350
Loss on disposal of equipment	(332)	(15,000)	14,668
Nonoperating revenues, net	<u>\$ 291,108</u>	<u>\$ (27,125)</u>	<u>\$ 318,233</u>
Change in net assets before depreciation	<u>\$ 3,541,584</u>	<u>\$ 2,858,300</u>	<u>\$ 683,284</u>
Depreciation	(2,176,946)		
Contributions in aid of construction	879,333		
	<u>\$ 2,243,971</u>		
Total net assets beginning	<u>34,492,067</u>		
Total net assets ending	<u>\$ 36,736,038</u>		